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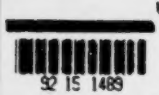
UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549



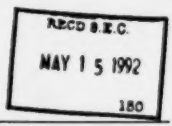
FORM 10-Q

[x] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the Quarterly Period Ended March 31, 1992 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period From _____ to _____



Commission File No. 0-9036

LANNETT COMPANY, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	23-0787-699
(State of or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

9000 State Road, Philadelphia, Pennsylvania 19136
(Address of Principal Executive Offices)

(215) 333-9000
(Registrant's Telephone Number)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months and (2) has been subject to such filing requirements for the past 90 days.

(1) Yes X No ___
(2) Yes X No ___

Common Stock outstanding as of February 3, 1992: 310,838 shares of Common Stock, $.001 par value per share.

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Item 1. Financial Statements

LANNETT COMPANY, INC.
AND ITS WHOLLY OWNED SUBSIDIARY
ASTROCHEM CORPORATION
BALANCE SHEET

	3/31/92 (unaudited)	6/30/91 (audited)
Assets		
Current Assets:		
Cash and short term investments	$48,684.91	$130,286.12
Accounts receivable	31,168.17	227,387.80
Inventories (Note 2)	120,606.71	77,445.27
Prepaid expenses	22,617.17	50,168.63
Total current assets	$223,076.96	$485,287.82
Investments (at cost) (Note 3)	5,454.81	5,454.81
Property and Equipment:		
Land	33,414.25	33,414.25
Building and improvements	918,516.64	397,580.76
Machinery and equipment	760,221.17	339,144.15
Furniture, fixtures and office equipment	129,567.09	5,491.37
Total	$1,841,719.15	$775,630.53
Less: Accumulated depreciation	502,515.09	500,156.07
Property and equipment, net	1,339,204.06	275,474.46
Other Assets	$1,524.90	$1,524.90
TOTAL	$1,569,260.73	$767,741.99

	3/31/92 (unaudited)	6/30/91 (audited)
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable - trade	$257,404.88	$233,472.75
Notes payable - bank	97,332.00	158,253.76
Loans payable (Note 3)	26,000.00	26,000.00
Accrued and withheld payroll taxes	2,083.00	1,920.06
Accrued expenses	2,600.00	18,190.04
Total current liabilities	$385,419.88	$437,836.61
Deferred Liabilities:		
Notes payable - bank	0.00	730.44
Loan payable - shareholder	2,261,968.88	0.00
Stockholders' Equity: (Note 3)		
Common stock, no par value stated value $.20 per share, authorized 500,000 shares; issued 381,135 shares	76,227.00	76,227.00
Treasury stock at cost	(355,283.50)	(355,283.50)
Additional paid-in capital	469,837.95	469,837.95
Retained earnings	(1,268,909.48)	138,393.49
Total stockholders' equity	(1,078,128.03)	$329,174.94
TOTAL	$1,569,260.73	$767,741.99

* - All intercompany transactions have been eliminated.

LANNETT COMPANY, INC.
AND ITS WHOLLY OWNED SUBSIDIARY
ASTROCHEM CORPORATION
STATEMENT OF INCOME
(Unaudited)

	For the Three Months Ended		For the Nine Months Ended	
	3/31/92	3/31/91	3/31/92	3/31/91
Net sales	$25,532.04	$322,425.06	$206,831.12	$903,471.96
Cost of sales	177,539.15	252,275.99	540,355.82	718,093.34
Gross profit	(152,007.11)	70,149.07	(333,524.70)	185,378.62
Selling, general and administrative expenses	247,792.40	85,774.32	910,618.82	242,383.07
Operating profit	(399,799.51)	(15,625.25)	(1,244,143.52)	(57,004.45)
Other income (Note 5)	0.00	1,500.00	32,203.94	80,515.16
	(399,799.51)	(14,125.25)	(1,211,939.58)	23,510.71
Other expense (Note 6)	9,361.24	0.00	195,363.39	0.00
Income before income tax	(409,160.75)	($14,125.25)	($1,407,302.47)	$23,510.71
Provision for income tax	0.00	0.00	0.00	0.00
Net income	$(409,160.75)	($14,125.25)	($1,407,302.97)	$23,510.71
Net income per common share	$(1.32)	$(.05)	$(4.53)	$.08
Shares used to compute per share earnings	310,383	310,383	310,383	310,383

* - All intercompany transactions have been eliminated.

LANNETT COMPANY, INC. AND ITS WHOLLY OWNED SUBSIDIARY, ASTROCHEM CORPORATION
STATEMENT OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended			
	3/31/92		3/31/91	
Net Cash Flows From Operating Activities				
Net Income	$(1,403,242.62)		$23,510.71	
Adjustment for differences between income flows and cash flows from operating activities:				
Add: Depreciation	21,000.00		20,190.00	
Decrease in inventories	0.00		0.00	
Decrease in prepaid expenses	27,551.48		23,971.35	
Increase in accounts payable	23,932.13		62,104.21	
Increase in accrued payroll taxes and expenses	0.00		30.70	
Decrease in accounts receivable	196,219.63		0.00	
Less: Increase in Accounts Receivable	0.00		(12,179.55)	
Decrease in accrued & withheld payroll taxes and expenses	(15,427.10)		(4,247.20)	
Increase in inventories	(43,161.44)		(66,812.30)	
Decrease in accounts payable	0.00		0.00	
Net Cash Provided Or (Used) From Operating Activities		($1,193,127.94)		$46,477.92
Cash Flow From Investing Activities				
Payments for purchase of equipment and improvements	(1,089,989.95)		(7,734.46)	
Proceeds from sale of bonds	0.00		4,500.00	
Proceeds from sale of equipment	1,200.00		0.00	
Net Cash Provided or (Used) From Investing Activities		(1,088,789.95)		(3,234.46)
Cash Flows From Financing Activities				
Purchase of treasury stock	0.00		(138.00)	
Payments made to reduce notes payable to banks	(61,652.20)		(14,191.32)	
Increase in loans from shareholder	2,261,968.88		0.00	
Net Cash Provided or (Used) From Financing Activities		2,200,316.68		(14,329.32)
Net Increase or (Decrease) in Cash		(81,601.21)		28,914.14
Cash - Beginning of Period		130,286.12		115,521.64
Cash - End of Period		$48,684.91		$144,435.78

NOTE: All investing and financing transactions affecting cash are reflected in the above Statement of Cash Flows.

- All intercompany transactions have been eliminated.
- Gains and losses from the sale of fixed assets have been eliminated from net income for cash flow statement purposes for the period ended 3/31/92. The net (loss) from sale of fixed assets during this period amounted to $(4,060.35).

LANNETT COMPANY, INC.

Notes to Consolidated Financial Statements (Unaudited)

March 31, 1992

1. Basis of Presentation

The condensed financial statements included in this Quarterly Report are unaudited, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading.

In the opinion of the Company, all adjustments, consisting of only normal recurring adjustments, necessary to present fairly the financial position of the Company as of March 31, 1992 have been made. The results of operations for such interim period is not necessarily indicative of the results to be expected for the entire year.

2. Inventories

A physical inventory is taken each year end on June 30th. The first-in first-out method of inventory pricing is used. Interim financial statements reflect inventory value determined by adding the cost of inventory acquired during the period to the prior period's inventory and subtracting a percentage of sales, estimated to reflect inventory cost of goods sold.

3. Investment in and Loans to Subsidiary

The Company owns all the issued and outstanding stock of Astrochem Corporation, which the Company acquired for $193,442.50, recorded on the books of Astrochem as follows:

Capital stock	$ 100,000.00
Paid in additional capital	93,442.50
Total	$ 193,442.50

The Company's investment in Astrochem Corporation has been eliminated from the consolidated balance sheet. Loans made by the Company to Astrochem Corporation in the amount of $376,689.51 have also been eliminated from the consolidated balance sheet.

4. Other Subsidiaries

The Company also wholly owns three other subsidiaries that have fiscal years ending June 30, September 30, and December 31 respectively. These companies have had minimal operations during the past year, with no material effect on the earnings or financial condition of the consolidated group.

5. Other Income

Other income for the period ended 3/31/92 consisted of:

Interest earned on savings account	$ 203.94
Sale of trade name	32,000.00
Total Other Income	$32,203.94

Other income for the period ended 3/31/91 consisted of the following:

Sale of trade name	$75,000.00
Interest earned on savings accounts and certificates of deposit	5,515.16
Total Other Income	$80,515.16

6. Other Expense

Other expense for the period ended 3/31/92 consisted of the following:

Net (loss) on sale of fixed assets	$4,060.35
Costs incurred to dispose of inventory - Refer to Note 7	68,855.53
Costs incurred to remove hazardous chemicals of the discontinued Astrochem Corporation.	122,447.51
Total Other Expense	$195,363.39

7. Disposition of Inventory

The Company has initiated audits of applications, systems and procedures to determine the conformity to the Food and Drug Administration (FDA) and other regulatory requirements of all pharmaceutical products manufactured by the Company. Because of the difficulty inherent in satisfactorily completing such an audit, the results of preliminary findings, and meetings between the Company and the FDA, the Company disposed of a substantial portion of its inventory prior to the completion of all such audits. Since a portion of this inventory was on hand at June 30, 1991, a write down of $119,808.00 was recorded and charged to operations in the year ended June 30, 1991, thus increasing cost of sales by $119,808.00 and reducing operating income by the same amount, for the

fiscal year ended June 30, 1991. The remaining portion of disposed inventory was charged to current operations for the three month period ended September 30, 1991. The amount of inventory write down applicable to this period amounted to $10,987.00, thus increasing cost of sales and reducing operating income by the same.

8. Suspension of Manufacturing Operations

On or about August 25, 1991, the Company temporarily suspended manufacture and distribution of all pharmaceutical products in order to complete the audits referred to in Note 7 above, and to commence a multi-stage modernization plan to improve manufacturing, inventory and quality control capabilities. Most of the improvements have been completed and the Company has begun testing new equipment and revalidating its processes and formulas.

9. Financing Package

At a Board of Directors meeting on August 14, 1991, the Company expanded its Board of Directors, elected two new directors, and appointed new management to operate the Company. In addition, it approved a $4 million financing package proposed to it by a shareholder. The financing package provides for a $2 million term loan, which is convertible into stock, and a $2 million line of credit. The loans are cross-collateralized with substantially all of the Company's assets. The loans also contain numerous other covenants, restrictions and conditions. The proceeds are to be used in part for the modernization plan and remedial actions discussed in Notes 8 above and 10 below.

10. Remediation

The Company is monitoring and remediating soil and ground water contamination at its facility pursuant to plans submitted to and approved by the appropriate governmental authorities.

11. Merger

During December 1991, pursuant to approval of its shareholders, the Company, which had been a Pennsylvania corporation, merged into its wholly-owned Delaware subsidiary which was created solely for the purpose of such merger.

12. Stock Split

On April 20, 1992, the Company issued shares of stock representing a 4-for-1 stock split to shareholders of record on March 27, 1992. Neither the number of shares nor the per share earnings figures in these financial statements reflect the split.

ITEM 2

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations

During the current fiscal year, the Company initiated audits of its applications, systems and procedures to determine their conformity to the regulatory requirements of the United States Food and Drug Administration and the United States Drug Enforcement Agency. The Company has disposed of substantial inventory which was obsolete or which it was unable to confirm met regulatory requirements.

As of August, 1991, management of the Company temporarily suspended manufacturing operations in order to facilitate and expedite the audits, the disposal of inventory in accordance with applicable regulations, and the complete renovation of the Company's facility.

The Company has largely completed the renovations and has begun testing new equipment and validating its processes and formulas. Until such testing and validation has been satisfactorily completed, the Company will not be generating revenues. The Company expects that when it recommences manufacturing, initial sales will be at minimal levels until full operations can resume later in calendar year 1992. Management is currently reviewing product profitability to minimize the adverse effect of the suspension of operations.

Except as set forth in this Quarterly Report, there has been no unusual or infrequent events or transactions, significant economic changes or any known trends or uncertainties which have, or are reasonably expected to have, a material impact upon the results of operations of the Company.

Nine Months Ended March 31, 1992 Compared to the Nine Months Ended March 31, 1991

Due to the suspension of manufacturing operations, the Company's net sales have decreased 77% from $903,472 for the nine-month period ended March 31, 1991 (the "1991 Period") to $206,831 for the nine-month period ended March 31, 1992 (the "1992 Period"). However, cost of sales decreased only 25% from $718,093 in the 1991 Period to $540,356 in the 1992 Period. This reduction coupled with the decrease in net sales, resulted in a decrease of 280%, or $518,903, in gross profit during the 1992 Period as compared to the 1991 Period. Operating expenses increased $668,236 from $242,383 in the 1991 Period to $910,619 in the 1992 Period principally due to costs associated with the above-described audits, an increase in administrative expenses including, among others, salaries payable, and legal expenses, disposal of inventory, and remediation of

environmental concerns. Added to that the expense to dispose of hazardous materials, net income decreased $1,187,714, from a loss of $57,004 in the 1991 Period to a loss of $1,244,144) in the 1992 Period.

Quarter Ended March 31, 1992 Compared to the Quarter Ended March 31, 1991

Primarily because the Company ceased manufacturing operations during August 1991, the Company's net sales decreased 92% from $322,425 for the fiscal quarter ended March 31, 1991 (the "1991 Quarter") to $25,532 for the fiscal quarter ended March 31, 1992 (the "1992 Quarter"). Cost of sales decreased 30% from $252,276 in the 1991 Quarter to $177,539 in the 1992 Quarter. Gross profit decreased 317%, or $222,156, during the 1992 Quarter as compared to the 1991 Quarter. Operating expenses increased $162,018 from $85,774 for the 1991 Quarter as compared to $247,792 for the 1992 Quarter largely due to costs associated with the disposal of inventory, environmental remediation and an increase in administrative expenses, before expenses of $9,361 incurred during the 1992 Quarter to remove hazardous chemicals. Net income decreased $395,036, from a loss of$14,125) in the 1991 Quarter to a loss of $409,161 in the 1992 Quarter.

Liquidity and Capital Resources

Net working capital decreased from $47,451 to $(162,343) from the beginning to the end of the 1992 Period, while the current ratio decreased from 1.11 to 0.58, cash and short-term investments decreased from $130,286 to $48,685, long-term debt increased from $0.00 to $2,261,969, and shareholders' equity decreased from $138,175 to $(1,078,128). Net cash provided from operating activities decreased from $46,478 in the 1991 Period to $(1,193,128) in the 1992 Period, primarily due to a decrease of $1,426,753 in net income, and a $196,220 decrease in accounts receivable. In addition, during the 1992 Period, the Company spent $1,089,990 to purchase new equipment and make improvements to its facility and $61,652 to reduce a loan payable to its bank. Because the Company received funds in the form of a loan from a shareholder in the amount of $2,261,969, the net decrease in cash during the 1992 Period was only $81,601, as compared to a net increase in cash during the 1991 Period of $28,914. This result, coupled with the amount of cash on hand at the beginning of the respective 9-month periods, yielded available cash at the end of the 1992 Period of $48,685, a decrease of $95,751 from $144,436 at the end of the 1991 Period.

On August 14, 1991, the Board of Directors approved a business plan (the "Business Plan") proposed by Mr. William Farber, a principal shareholder and current chairman. Pursuant to the Business Plan, Mr. Farber proposed to provide the Company with a financing package consisting of an aggregate credit facility in the amount of $4,000,000. Up to $2,000,000 will be provided for the Company's use as a line of credit (the "Line of Credit"), evidenced by a promissory note bearing interest at the rate of prime plus 1% per annum, and $2,000,000 will be provided as a term loan (the "Term Loan")

evidenced by a 9% Convertible Debenture (the "Debenture"), convertible at any time prior to payment in full at the conversion rate of 250 shares of common stock for each $1,000 of outstanding indebtedness. The proceeds of the Term Loan and the Line of Credit have and will be used to renovate the facility, acquire new equipment, remove the Astrochem chemicals, validate the Company's formulas and processes, address whatever remedial actions are indicated and retain new management. Management anticipates that the funding provided under the Business Plan will be sufficient for the intended purposes.

The Company's Board of Directors approved the implementation of the Business Plan, having realized that the Company required an immediate large infusion of cash to address the Company's remedial concerns, to undertake the modernization of the Company's facility and operations and to continue operating as a going concern. The Company was not in a financial position to enable it to obtain such financing from conventional sources, or to make regular monthly payments to reduce such loans if they were, in fact, obtained. At the 1991 Annual Meeting of Shareholders, held on December 6, 1991, the Company's shareholders approved a merger of the Company into a newly-formed Delaware corporation (the "Merger"), which was effected during December 1991. Consummation of the Merger was a condition to full funding of the Line of Credit and Term Loan, and was required to facilitate the Business Plan and, more particularly, the conversion feature of the Debenture.

The Company is a defendant in several legal actions which, if decided against the Company, could have a material adverse effect on the financial condition of the Company. See "Part II, Item 1. Legal Proceedings."

In addition, the Company has been advised that various governmental agencies are investigating certain of the prior storage and disposal practices implemented by past management with respect to certain drums of chemicals of Astrochem Corporation, the Company's wholly-owned subsidiary. In the event the Company should also become the focus of this investigation, it may become subject to fines and penalties which could have a material adverse effect on the financial condition of the Company.

Inflation

The current status of inflation has not had a material effect on the operations of the Company.

PART II - OTHER INFORMATION

Item 1. - Legal Proceedings.

The Company is engaged in an industry which is subject to considerable government regulation relating to the development, manufacturing and marketing of pharmaceutical products. Accordingly, in the ordinary course of business, the Company

periodically responds to inquiries or engages in administrative and/or judicial proceedings involving regulatory authorities, particularly the Food and Drug Administration and Drug Enforcement Agency.

(a) Stilbestrol

The Company is currently engaged in several civil class actions as a co-defendant with many other manufacturers of Stilbestrol, a synthetic hormone. The Company is being represented in many of such actions by an insurance company with which the Company maintained insurance coverage during the time period that damages are alleged to have occurred. The insurance company has denied coverage in certain of the actions and the Company is retaining counsel to represent it with respect to those actions. Management is uncertain at this time as to the outcome of this action.

(b) Action by Former Shareholder

An action was instituted in the Court of Common Pleas, Philadelphia County, Pennsylvania on March 7, 1990 by Betty Gratz against the Company and Samuel Gratz, the former President and a director of the Company (Civil Action No. 1127). This action relates to the payment for shares of common stock purchased by the Company from the Plaintiff and seeks approximately $43,000 representing interest allegedly owed by the Company on account of such purchase. Management of the Company believes that the allegations contained in the Complaint are without merit and is defending against them.

(c) Licenses and Inspections Violations

A proceeding was instituted against the Company in 1990 in Municipal Court, Philadelphia, Pennsylvania by the Licensing and Inspections Office of the City of Philadelphia and pursued by the Fire Marshall's Office in connection with storage of drums of unmarked and hazardous chemicals at the Company's premises. To date, the Company has been fined $5,000 for permitting this condition to exist. The Company has complied with all labelling and removal requirements imposed on it by the Court. This action was dismissed prior to January 1992 without the imposition of further fines or sanctions.

Item 2. - Changes in Securities.

At the Company's Annual Meeting of Shareholders held on December 6, 1991, the shareholders approved a proposal to change the Company's state of incorporation from Pennsylvania to Delaware (the "Merger"). As a result of the Merger, the rights of the Company's shareholders are governed by the Articles of Incorporation and By-Laws of the new Delaware corporation and by Delaware law. Copies of such Articles of Incorporation and By-Laws and a discussion of the differences between Delaware and Pennsylvania corporate law are incorporated into this Quarterly Report by reference to

the Proxy Statement prepared in connection with such Annual Meeting of Shareholders and filed with the Securities Exchange Commission.

On April 20, 1992, the Company issued shares of stock to its shareholders of record on March 27, 1992, reflecting a 4-for-1 stock split.

Item 3. - Defaults Upon Senior Securities.

None.

Item 4. - Submission of Matters to a Vote of Security Holders.

On December 6, 1991, the Company held its Annual Meeting of Shareholders, at which the shareholders were asked to vote, among other matters, on a proposal to merge the Company into its wholly-owned Delaware subsidiary. The merger was approved by a vote of 178,444 shares in favor and 27,624 shares opposed.

Item 5. - Other Information.

None.

Item 6.(a) - Exhibits.

None.

Item 6.(b) - Reports on Form 8-K.

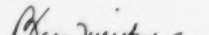
None

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: May 14, 1992

LANNETT COMPANY, INC.

By: 
Barry Weisberg, President
Chief Financial Officer

DAACA:PBD